



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 16, 1999

H.R. 1993 **Export Enhancement Act of 1999**

*As ordered reported by the House Committee on International Relations
on July 1, 1999*

SUMMARY

H.R. 1993 would authorize the Overseas Private Investment Corporation (OPIC) to issue new investment insurance and provide investment financing through 2003. In addition, the bill would authorize appropriations for the Trade and Development Agency (TDA) and for the International Trade Administration (ITA) of the Department of Commerce.

OPIC's new insurance would generate offsetting collections from premiums, but its new financing activities would require advance appropriation for the cost of any loan or guarantee to be extended. Assuming funding through 2003 at the 1999 level adjusted for inflation, CBO estimates that funding OPIC would lower discretionary outlays by \$12 million over the next five years. (If funding were maintained at the 1999 level, the reduction in discretionary outlays would be \$30 million over the five-year period.)

The bill would authorize the appropriation of \$48 million for the TDA and \$294 million for the ITA in 2000 and such sums as may be necessary thereafter. Assuming funding after 2000 would be adjusted for inflation, CBO estimates spending for these programs would total \$1.6 billion over the next five years. (If funding were maintained at the level authorized for 2000, spending would be \$1.5 billion over the five-year period.)

The bill would require the TDA to seek reimbursement of the cost of feasibility studies and other services from corporations that benefit from those services. CBO estimates that these collections, which would affect direct spending, would not be significant. Because the bill would affect direct spending, pay-as-you-go procedures would apply.

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the bill is shown in the following table. The costs of this legislation fall within budget functions 150 (international affairs) and 370 (commerce and housing credit).

	By Fiscal Year, in Millions of Dollars					
	1999	2000	2001	2002	2003	2004
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law						
Estimated Authorization Level ^{a,b}	132	-261	-251	-267	-260	-250
Estimated Outlays	43	-96	-174	-239	-246	-245
Proposed Changes						
Estimated Authorization Level ^c	0	385	386	389	396	351
Estimated Outlays	0	212	295	344	362	380
Spending Under the Bill						
Estimated Authorization Level ^{a,b,c}	132	124	135	122	136	101
Estimated Outlays	43	116	121	105	117	135

- a. Budget authority and outlays for OPIC's insurance program are generally negative because of offsetting collections from fee income and interest on investments.
- b. The 1999 level is the amount appropriated for that year.
- c. These figures include funding for OPIC's administrative expenses and subsidy costs at the 1999 funding level with adjustments for inflation. If spending for these purposes were projected at the 1999 level, authorizations and outlays would be \$25 million and \$18 million less, respectively, over the five-year period. The figures for the TDA and ITA assume funding after 2000 at the authorized 2000 level with adjustments for inflation. If spending for the TDA and ITA were maintained at the 2000 level, authorizations and outlays would be \$103 million and \$85 million less, respectively, over the five-year period.

BASIS OF ESTIMATE

The estimate assumes enactment of the bill and funding of the authorized programs in subsequent appropriation acts. CBO used historical spending rates to estimate outlays.

Overseas Private Investment Corporation

OPIC insures U.S. investors in developing countries and emerging markets against losses due to expropriation, currency inconvertibility, and damage due to political violence. In addition, OPIC provides loans and guarantees to finance such investment. The bill would authorize OPIC to issue new insurance and to provide investment credits through 2003 to such extent as may be provided in annual appropriation acts. The estimate assumes funding of OPIC's programs over the next four years at the 1999 level, adjusted for inflation.

Insurance Program. CBO estimates that, under the bill, OPIC would issue \$5 billion to \$6 billion in new insurance each year through 2003. We estimate that the new insurance would generate net collections of \$169 million over the next five years, assuming

	By Fiscal Year, in Millions of Dollars					
	1999	2000	2001	2002	2003	2004
INSURANCE PROGRAM^a						
Spending Under Current Law						
Estimated Authorization Level	-282	-294	-280	-291	-280	-270
Estimated Outlays	-282	-294	-280	-291	-280	-270
Proposed Changes ^a						
Estimated Authorization Level	0	-9	-24	-38	-49	-49
Estimated Outlays	0	-9	-24	-38	-49	-49
Spending Under the Bill						
Estimated Authorization Level	-282	-303	-304	-329	-329	-319
Estimated Outlays	-282	-303	-304	-329	-329	-319
CREDIT SUBSIDY						
Spending Under Current Law						
Budget Authority ^b	50	0	0	0	0	0
Estimated Outlays	37	42	32	19	12	5
Proposed Changes						
Estimated Authorization Level	0	51	52	53	54	0
Estimated Outlays	0	2	10	24	33	38
Spending Under the Bill						
Estimated Authorization Level ^b	50	51	52	53	54	0
Estimated Outlays	37	43	42	43	44	43
ADMINISTRATIVE EXPENSES						
Spending Under Current Law						
Estimated Authorization Level ^b	35	33	29	24	20	20
Estimated Outlays	34	33	30	25	20	20
Proposed Changes						
Estimated Authorization Level	0	1	6	12	18	17
Estimated Outlays	0	1	5	11	17	17
Spending Under the Bill						
Estimated Authorization Level ^b	35	34	35	36	38	37
Estimated Outlays	34	34	35	36	37	37
TOTAL SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law						
Estimated Authorization Level ^{a,b}	-197	-261	-251	-267	-260	-250
Estimated Outlays	-211	-220	-218	-247	-249	-245
Proposed Changes ^c						
Estimated Authorization Level	0	43	34	27	23	-32
Estimated Outlays	0	-7	-9	-3	1	6
Spending Under the Bill ^c						
Estimated Authorization Level ^{a,b}	-197	-218	-217	-240	-237	-282
Estimated Outlays	-211	-226	-227	-250	-248	-239

a. Budget authority and outlays for OPIC's insurance program are generally negative because of income from offsetting collections.

b. The 1999 level is the amount appropriated for that year.

c. These figures include funding for administrative expenses and subsidy costs with adjustments for inflation. If spending for these purposes were projected at the 1999 level, authorizations and outlays would be \$25 million and \$18 million less, respectively, over the five-year period.

20 percent of the policies are not renewed each year and premium income of 0.33 percent on the amount of outstanding insurance.

Credit Subsidy. CBO estimates that funding OPIC’s credit program at the 1999 level (\$50 million) adjusted for inflation for the next four years would increase outlays by \$107 million over the 2000-2004 period. If appropriations of \$50 million a year were provided, additional outlays would be \$103 million over the five-year period.

Administrative Expenses. The estimate assumes that under current law OPIC’s administrative expenses would be gradually reduced by 50 percent in real terms to a level sufficient to service its outstanding insurance and finance portfolios. Under the bill, the estimate assumes that administrative expenses would be funded at the 1999 level adjusted for inflation except for the \$2 million in emergency appropriations. Thus, CBO estimates an increase in spending of \$51 million over current law. (If funding were maintained at the 1999 level, additional spending for administrative expenses would total \$37 million over the 2000-2004 period.)

Trade and Development Agency

H.R. 1993 would authorize the appropriation of \$48 million for the TDA in 2000 and such sums as may be necessary for each fiscal year thereafter. The estimate assumes that the appropriations for the TDA after 2000 would be adjusted for inflation.

	By Fiscal Year, in Millions of Dollars					
	1999	2000	2001	2002	2003	2004
SPENDING SUBJECT TO APPROPRIATION						
TDA Spending Under Current Law						
Budget Authority ^a	44	0	0	0	0	0
Estimated Outlays	54	42	18	8	3	0
Proposed Changes						
Estimated Authorization Level ^b	0	48	49	50	51	52
Estimated Outlays	0	13	33	42	47	49
TDA Spending Under the Bill						
Estimated Authorization Level ^{a,b}	44	48	49	50	51	52
Estimated Outlays	54	55	51	50	50	49

a. The 1999 level is the amount appropriated for that year.

b. These figures assume funding after 2000 at the authorized 2000 level with adjustments for inflation. If spending for the TDA were maintained at the 2000 level, authorizations and outlays would be \$11 million and \$8 million less, respectively, over the five-year period.

The bill would require the TDA to seek reimbursement for the cost of its feasibility studies and project planning services from corporations and other entities that benefit from those services. Annual appropriation acts have provided similar authority since 1996, and TDA has collected less than \$200,000 for its services in the last four years. CBO estimates that the collections generated by this permanent authority would not be significant.

International Trade Administration

For fiscal year 2000, H.R. 1993 would authorize the following appropriations for the International Trade Administration: \$24 million for market access and compliance programs, \$68 million for trade development programs, and \$202 million for commercial service programs. The bill would authorize the appropriation of such sums as may be necessary for each fiscal year thereafter. As shown in the following table, the estimate assumes that the appropriations for the ITA after 2000 would be adjusted for inflation. Based on the historical spending pattern of the agency, CBO estimates this provision would increase spending by \$1.4 billion over the 2000-2004 period.

	By Fiscal Year, in Millions of Dollars					
	1999	2000	2001	2002	2003	2004
SPENDING SUBJECT TO APPROPRIATION						
ITA Spending Under Current Law						
Budget Authority ^a	285	0	0	0	0	0
Estimated Outlays	200	82	26	0	0	0
Proposed Changes						
Estimated Authorization Level ^b	0	294	303	312	322	331
Estimated Outlays	0	206	271	305	315	324
ITA Spending Under the Bill						
Estimated Authorization Level ^{a,b}	285	294	303	312	322	331
Estimated Outlays	200	288	297	305	315	324

a. The 1999 level is the amount appropriated for that year.

b. These figures include funding at the authorized 2000 level with adjustments for inflation. If spending for the ITA were projected at the 2000 level, authorizations and outlays would be \$92 million and \$77 million less, respectively, over the five-year period.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. H.R. 1993 would require the TDA to seek reimbursement of the cost of feasibility studies and other services from corporations that

benefit from those studies and services. Thus, enacting the bill would affect direct spending but CBO estimates that new collections under the bill would not be significant.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The bill contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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